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Organization Design: The More Things Change

What Is Organization Design?

Small teams are the foundational unit of human association. An *organization* connects teams across boundaries of differing objectives, skills, national culture, language, and time zones. While teams are quite primal and draw on our inclination to collaborate with those that are near to us and we trust, the organization is a more modern invention.¹ Collaboration across the boundaries of teams within an organization is rarely spontaneous. It needs to be intentionally designed and fostered.

Organization design is the way we shape human behavior at scale.

¹ In this book we will focus on companies. However, all the concepts apply to nonprofit organizations, government agencies, universities, foundations, and other institutions. We will use organization to mean any of these entities.

Organization is a powerful concept. The ability of one company to outcompete another in the same industry, often with similar products and customers, often comes from the advantage of a well-designed human system.

Organizations are hard to describe visually and verbally. At essence the organization is a multi-dimensional, invisible, abstract set of strategic concepts that all those in the organization share. The organization focuses human and technological energy toward shared goals. It guides each individual's behavior, bundling thousands of discrete actions into collective outcomes. Differences in organization are what allow companies to harness innovation, employee motivation, and new technologies and turn these assets into better, faster decisions that lead to market leading products and experiences.

Why Organization Design Is Still Important

As we go through another profound technological shift, this time agentic AI, the question naturally arises whether it is even possible to study and shape systems that are being influenced by forces we don't yet understand.

Yet it is exactly the continual change and uncertainty in the external environment that makes being intentional about the internal workings of the organization more important than ever. Beyond new technologies, there are trade wars and tariffs, demographic shifts, and environmental change. Effectiveness and advantage come from the ability of all members of the organization to anticipate and make sense of these changes together.

While the business, global, and technological context changes ever more quickly, human beings fundamentally don't. Our desire to work in small collaborative groups, to depend upon trust as much as contracts, to compete against others, and to need goals and purpose in our work is hard-wired in. While individuals are unique, humans in large groups are actually quite predictable.

What is also changing is the work of organization consulting. Much of the value that consultants brought in the past such as research, assessments, benchmarking, and modeling of options can be done quickly with AI. Large consulting firms are already reshaping offerings away from activities and deliverables to outcomes in business improvements (Sternfels, 2026). This focus on outcomes does not mean the consultant relationship will go away,

but internal and external consultants alike will feel pressure to bring solutions that cannot be replaced by AI.

Here's what we believe won't be replaced by AI: the need for organizational leaders to create shared meaning from themes and patterns, understand the trade-offs across equally attractive alternatives with different implications, and make hard choices. Therefore, the work of leaders becomes even more important in times of change. Leaders set long-term goals and then make the continuous and often unexpected trade-offs between strategic options in the short term. No company planned for COVID-19. But the companies that quickly made decisions and mobilized their organizations around new ways of working and customer interactions turned the pandemic into an opportunity. Translating the external context into strategy and then organization realities is the uniquely human work of leaders. This won't change. Good decision-making can be augmented by better data and AI insights, but taking the bet and making the change is still human work.

Therefore, the organization design practitioner must shift from consultant to advisor in the future. As a practical matter, this means less time creating slide decks and more time leading vigorous conversations, shaped by insights, creativity, and the wisdom of experience. Aligning a leadership team around the meaning of a diagnostic and getting them excited as a team about the path forward will remain very human work.

The Organization Design Discipline

While organization design is a relatively recent field of academic study, the need to organize people goes back centuries, most clearly seen in military history. The modern company, however, emerged from two 19th century technological revolutions – the telegraph and the railroad – that dramatically compressed time and space. Once economic activity could be managed remotely and at scale, the creation of the professional manager and the limited-liability corporation quickly followed.

The early 20th century applied newly developed engineering insights to business. The organization was conceptualized as a machine to be designed for efficiency, rooted in functional specialization. Frederick Taylor's principles of scientific management and Max Weber's theory of bureaucracy focused on clear hierarchy, defined roles, written rules, and the separation of

person from position. These two thinkers gave the industrial era its dominant organizational template that worked extraordinarily well for mass production in stable environments.

The post-World War II era brought opportunities for companies to expand into new markets. As companies began to pursue multiple product and geographic strategies simultaneously, they needed more advanced organizational structures to manage the tensions between authority and expertise and global oversight with local autonomy. Alfred Chandler's historical analysis of American industry observed that as companies diversified and grew geographically, functional structures gave way to divisional ones, with accountability pushed closer to the market.

The roots of the organization design field took hold in the second half of the 20th century in response to increased technological change and the complexity that brought. In their seminal 1967 work, Paul Lawrence and Jay Lorsch introduced contingency theory: organizations are systems whose effectiveness depends on alignment between strategy, structure, and people. This changed the paradigm from a search for the best organizational form to a more sophisticated view where each organization needs to be designed to fit its unique strategy and context. The right structure depends on the environment a company faces including the degree of uncertainty, the rate of change, and the complexity of the market. The tension between differentiation and integration, Lawrence and Lorsch argued, is not a one-time problem to be solved but a dynamic to be managed continuously. Henry Mintzberg provided a typology of organizational forms that gave practitioners a vocabulary for describing not just how organizations were designed but how they actually functioned.

At the same time the field of organization development emerged from the behavioral sciences with a different set of concerns focused on culture, change, human motivation, and the psychological contract between employer and employee. Kurt Lewin's pioneering work on group dynamics and planned change established that organizations do not transform through structure alone but rather through people. This brought an appreciation for the process of organization design to complement the previous limited focus on structure.

Peter Drucker bridged these worlds more than any other thinker of the 20th century. Drucker argued that the organization existed to make human

strengths productive and human weaknesses irrelevant. For Drucker, organization design was always in service of a larger purpose: enabling people to contribute meaningfully to something beyond themselves.

The IT revolution at the end of the 20th century compressed time and space even further. Instant communication technologies, real-time data analytics, and cloud computing made speed a competitive necessity and spurred a new generation of organizational inquiry: what if organizations could function like true organisms, with the parts acting independently but coordinating through real-time information and feedback loops? Agile emerged as a response to slow product development cycles, empowering small teams to organize around the work and iterate quickly. Holacracy went even further, attempting to eliminate the traditional hierarchy entirely. Historically, chains of command coordinated work by controlling information flow. If new information technology provided horizontal visibility, why need authority, decision rights, and other coordinating mechanisms at all?

Jay Galbraith's work, beginning in the 1970s, continues to provide the answer to these questions. Galbraith's Star Model frames organization design as the alignment of five interdependent elements: strategy, structure, processes, rewards, and people. His contribution focused the field on seeing the organization as a dynamic system that could be shaped. Galbraith's insights into human behavior at scale and across the boundaries of teams make explicit that redesigning a company's structure without attending to its collaboration processes, incentive systems, and talent practices will always be incomplete. Regardless of technological change, the need for humans to connect and trust in order to work together remains and needs to be intentionally designed.

Today, artificial intelligence is introducing a genuinely new variable into this long conversation. Perhaps different than past technological change, AI is reshaping work and introducing a non-human actor with meaningful capability into the fabric of organizational life. While technologies will continue to advance and compress time and space, human systems will evolve more slowly. The core challenge of complex organizations will remain how to make good, fast decisions while maintaining accountability and alignment. Organizations that design for learning velocity rather than merely optimizing efficiency better than competitors will be the new winners.

In this sense, the field has come full circle. The oldest question in management – how do you organize for both performance and human motivation – turns out to be the newest one as well.

The Relationship of Organization Design to Strategy and Organization Development

When looked at today from the perspective of the leader, organization design as a practice sits between *strategy* and *organization development*, but tightly connected to both.

Strategy is about making choices. These choices clarify priorities and indicate where investment and energy should be channeled. Organization designers aren't typically part of creating strategy, but often support leaders to articulate these choices, set clear direction, and define the desired culture that will support the selected strategy. Most importantly, the organization designer helps leaders anticipate the organization implications of alternatives. This is especially useful when the strategic ambition for growth, new products, or launches in new markets outstrips the sophistication and capability of the current organization.

Organization design is then the process of architecting the configuration of power and investments to enable the strategy. The output is sometimes referred to as a blueprint and these analogies to the architecture field can be useful. Design in any field is an intention, a way to render a shared vision before it is brought to life. And then – whether a building, product, service, or an organization – the design is adjusted and evolved based on the complex realities of how it is used and the changing environment.

Organization development is the set of tools and practices that bring the blueprint fully to life as working relationships are changed across the system in accordance with the design. This is the work of talent assessment and staffing, training and enablement, building leadership and work teams, practicing new ways of working and collaboration within teams and across boundaries, codifying power and decision rights, and running and adjusting governance forums.

Without strategy, there is no shared direction, and efforts are diffused and even internally competitive. Without design there is no blueprint for

how the organization will execute the strategy or guidance for which tools to apply, in what sequence, or to what end. Without organization development, strategy and design work remains an intention never brought fully to life.

All three disciplines are essential and highly related. The key is that they are undertaken in a logical order. For example, there is no “right” organization. A good organization is one that is aligned to a strategy. In addition, organization development is not a virtuous activity in itself. It is only effective when used to adjust the levers that shape human behavior against a clear strategic and organizational intention.

Note that we don’t mention *change management* here as a discipline. Change is a part of all three of these, not something that is done outside of or after strategy, organization design, and organization development. How strategy is formulated and communicated is a change intervention in itself. The participative approach we advocate for organization design intentionally allows leaders to practice new ways of decision-making. The choice of organization development tools and how they are deployed impacts how quickly new patterns of behavior take hold. We prefer the term *activation* and will explore throughout the book how the organization design process is a way to accelerate desired change.

Benefits of Using a Common Organization Design Language and Process

No one has yet found a way to adequately visualize an organization. Here is where the architecture analogy falls short. Three-dimensional video renderings can now simulate the experience of moving through a built environment. However, we cannot yet simulate the complex human system that is an organization. For now, when we design an organization, we have to use words and graphics for describing a dynamic system. As practitioners for the past 30 years, we have devoted our professional lives to creating frameworks, tools, and methods that will allow business leaders and our colleagues to better understand and then shape effective work environments together.

All of our work has built on the pioneering insights of Jay Galbraith on how to configure organizations – structure and roles, processes and technology, metrics and rewards, and people practices – to deliver on ambitious strategies.

We see our contribution as creating clear definitions and a shared language of organization design. Only with a shared language can complex concepts become practical realities. We also believe that a shared language and process is the foundation of a robust and connected professional discipline. When we make the invisible system visible and demystify abstract concepts, practitioners can work seamlessly together and with their clients.

How This Book Is Organized

The book shares what we have learned consulting to leaders, delivering practitioner training in client companies and in public seminars, and developing hundreds of strategy consultants at Accenture, where we spent four years building a global practice. Chapters 1 through 4 lay out the core concepts and frameworks that are visited throughout the book. Chapters 5 through 9 are organized around the Five Milestones design methodology. This well-tested design process has been updated, and we are bringing fresh insight to the material in an effort to share what we've learned working in this space for a combined 60+ years.

The book concludes with what we call The Playbook. Here we have made available the scores of practices and tools that we have used for years. We welcome practitioners to use and to adapt these materials in their work, and we have made them available electronically on a dedicated website.

Takeaways

1. Organization design is focused on the execution of business ambition and strategy. By shaping roles, relationships, decision rights, and incentives, design aligns individual actions into outcomes that competitors cannot easily replicate.
2. Operating model design becomes more important in periods of uncertainty and technology-driven change. As external complexity increases, advantage shifts to companies that can align people, decision-making, and capabilities quickly and coherently in response to changing conditions.

3. Organizations do not function effectively by accident; they must be intentionally designed to overcome the natural limits of small teams, enabling collaboration across businesses and functions to harness agility, scale, and technology advantage.
4. Organization design is the work of leaders. Good decision-making can be augmented by technology, but change is a uniquely human process. Today's practitioners will focus more on advisory relationships, not just analytics.
5. Shared language and process discipline make the intangible nature of design visible and actionable. Only with shared language and frameworks can leaders work together to shape new organizational arrangements.

